PUBLIC ADMINISTRATION & REGIONAL STUDIES
2nd Year, No. 1 – 2009
Galati University Press, ISSN 2065 -1759

THE REGIONAL POLICY APPROACH DURING THE PRESENT FINANCIAL PERSPECTIVE

1. The fundamental elements of the regional policy.
2. The key moments.
3. The European Institutions which implement the regional policy.
4. The instruments of the regional policy.

Ph.D. Associate Professor Raducan Oprea[1]
Assistant Ramona Oprea[2]
Dunarea de Jos University, Romania

Abstract

The paper deals with the importance of the regional policy during the present financial perspective 2007-2013. For the beginning, we define and analyse the fundamental elements of the European Regional policy and provide a history of the European policy's evolution.

A distinct part of the paper deals with the European Institutions which define and influence the regional policy and the analysis of the regional policy instruments.

The main conclusion of the paper is that the regional development policy represents a challenge for the E.U.27.

1. The regional policy is focused on the implementation of the idea of the European identity, of membership in the European area.

The stipulation of such an idea isn't enough, because the latest European evolutions lead to contradictory conclusions. We refer to the growth of the intra and inter-states disparities as a result of the latest two enlargements of the E.U.

[1] Raducan Oprea, Eremia Grigorescu no.2, bl.11, ap.43, Galatz, Dean of the Faculty of Law from the Dunarea de Jos University of Galatz, Romania, phone 0040236493370, fax 00400236493370, opera.raducan@ugal.ro, arbitrator of the Arbitration Court near Trade Industry and Agriculture Chamber Galatz; Director of the Trade Register Office Galatz; Ph.D. in Law.
[2] Ramona Oprea, Eremia Grigorescu no.2, bl.11, ap.43, Galatz, assistant at the Dunarea de Jos University of Galatz, Romania, phone 0040236493370, fax 00400236493370, ramona.m_oprea@yahoo.es, Master in Civil Law, Master in International Business Law, lawyer of the Focsani Bar.

On the other hand, the importance of the regional elements into the present socio-economic policies is very big.

The growth of the regional policy's importance is supported by two main phenomena. First, we assist to a powerful economic restructuration of the regions from the most development E.U.'s countries as a consequence of the competition growth under globalisation. On the other hand, the new Member States from Central and Eastern Europe have immature market economies and some disequilibrium and dysfunctions occured after the moment of the adhering to the E.U.

As a common element of these two processes, we can speak about the great efforts for the achievement of political and economic integration across the E.U. This objective implies a pertinent regional policy.

The quintessence of the European regional policy is the solidarity connected to the decrease in the regional development disparities and the welfare of the European citizens. A real economic, social and territorial cohesion across the E.U. implies adequate regional policy measures which have to be able to support the solving of the problems of the present E.U.: the industrial and agricultural areas in decline, the disadvantaged urban areas, the unemployment, the criminality and the massive immigration.

E.U. assigns 1/3 of its budget to the decrease of the disparities connected to the regional development and the citizens' welfare. This financial allocation became permanent after 1998, as a result of the growth of regional development disparities. These disparities reflect the differences in the regional revenues differences (which can achieve a rate of 3:1) and the differences in the regionally realised investments (with the same rate), which is worse.

The implementation of regional policy is realised under the European, the national and the regional context. Practically, the common regional policy has to be implemented by each Member State using its specific instruments and ways. Moreover, the regions which represent the targets of the regional policy have to be stimulated in order to cooperate and to potent the material and financial efforts which are made to achieve these objectives.

On the other hand, the regional policy endorses some extra-community objectives and regions, the developing countries, the candidate and the potential candidate states to the adhering, as well.

The long term regional economic disparities affect the national efficiency. Moreover, these disparities have important social and political effects. The most significant effects of this phenomenon are the following:

- a dissatisfaction and a resentment connected to the regional welfare disparities. This situation affects those persons who have their life standards lower than the national average level;
- socio-economic effects. The national economy will obtain positive effects if it is able to decrease the unemployment in the area with high unemployment rate, without loss of jobs in the regions with low unemployment rate. A low unemployment rate implies a low criminality and less social difficulties;
- high economic costs for those regions which want to obtain a fast development as a result of the demand excess for the social capital. The airports, the buildings, the roads and the rail roads in these regions are under a continuous pressure, for example;
- the decrease in the regional disparities connected to the labour demand excess can create benefits for the whole economy by decreasing the inflation pressure.

The purpose of the regional policy is to obtain a high efficiency and/or an equitable interregional economic distribution. The objective of the regional policy can be measured and quantified. The decrease in the average unemployment rate, for example, represents a quantifiable political objective.

The political perception of need and importance of the regional policy represents the subject of a significant variation during the latest decades.

During 60's – 70's, the general objective of the policy was to create more new jobs. During the 80's, the direction was the growth of the government expenditures for the same objective. Nevertheless, the conflict between the macroeconomic governmental policy and the regional policy can't be eliminated.

The connection between these two levels of spatial aggregation depends on:

- the growth of the resources which can be moved from a level of development to an another;
- the results of the regional policy connected to the decrease in the inflation pressure's territorial disparities;

- the find of those political instruments which are able to support the achievement of the regional objectives (there are more political objectives than instruments at the regional level).

The individual policies are interdependent by their effects. The primary effects and their implementation instruments can be well delimitated. The secondary effects point out that the successful regional policies have to be complementary, not conflicting.

A supplementary difficulty connected to the implementation of the regional policies is the high losses at the regional and the national levels as a result of the multiplication effects. The regional multipliers have less values that the national ones. This means a decrease in the regional expenditures comparing to the same expenditures at the national level.

The analysis of the regional policy is based on the premises of this policy:

- the investments determined the growth of the firms' profit;
- the profit determines the growth of the expenditures for the firms' inputs. These expenditures remain inside the analysed region. The region will not be able to obtain supplementary advantages if the extra revenue is paid outside the region;
- the extra revenue has to be used to finance the supplementary regional expenditures. The region will lose the positive multiplication effects if it spends its supplementary revenue on the imports.

The major objective of the regional policy is to create the real possibilities to an efficient use of regional inputs. As a result, the policy instruments like the investments will not be influenced by the effective cost of achieving this objective.

This means that the effects of the regional policy consist in the diversification of the existing economic activities more than in the creation of additional economic activities.

An important part of the regional policy's expenditures are focused on the minimization of location costs of the firms' economic operations. Under extreme situations, the firms implemented their branches using governmental financing, and then they closed and moved them when the financial assistance for that region decreased. The result consisted in a greater economic instability and a decrease in the employment in that region on long term.

A real disadvantage of the territorial placement of the production capacities is their cyclic vulnerability. A firm can use governmental funds in order to develop and to place an additional production capacity during the boom. But during the recession, all these production capacities become vulnerably and can be closed with direct impact on the regional labour.

The little local firms are more efficient if they place their production capacities in their residence regions. These local firms will not be so interested in replacing their production capacities even if the regional financial policy changes.

We can conclude that the disadvantages felt by the branches of the corporations (which dominate the regional economy) from the cyclical fluctuations will be minimised by pertinent measures of the regional policy. On the other hand, the government policy depends on the current political priorities.

A specific aspect of the government policy is similarly reflected by other government policies. The regional policy isn't separated or independent from any other aspect of the government macroeconomic policy, for example.

The regional policies can influence other government policies and the regional policies can be influenced by these government policies, as well.

A national deflationist strategy can disclaim the local and regional political measures adopted in order to support the development of the local economy which is scarce. A policy for high interests in order to control the macroeconomic monetary expansion, for example, can affect the little firms from a low developed local economy.

Such conflicts can be minimised, but the politicians have to understand that the election of the political instruments used in order to achieve a specific level of economic spatial aggregation has to be done very carefully.

The effective spatial policies need the same repartition of the political instruments according to the objectives of the local/urban, regional and national policies. This implies the pertinence of the economic policies.

But, there are not enough political instruments to allocate them one by one to every political objective at every relevant level of the economic spatial hierarchy.

2. The definition and the implementation of a reliable regional policy represent a complex, dynamic and sometimes contradictory process which followed the E.U.'s creation and enlargement, as in table 1 (Fujita M, Krugman P., Venables A.J., 1999).

The first important changes in the European regional policy were made during 2000-2006. These changes were connected to the management decentralisation, the growth of the partnership between the actors of the regional policy and the concentration of those areas which benefited from financial assistance.

The European Commission monitors the implementation of the regional assistance programs and the Member States and the local and the regional authorities cooperate for defining and implementing the development strategies.

During the present programming period (2007-2013), the main objective of the regional policy is competiveness, in order to achieve the development parameters established by the Lisbon Strategy. Moreover, the cohesion policy has to be better integrated into the national and regional development programs from the Member States together with the growth of the ownership.

The number of structural instruments has decreased to three. There was implemented a new proportionality principle and the number of the programming documents has decreased to two, in order to reduce bureaucracy.

On the other hand, the Member States' responsibility in managing the European Funds will grow by applying the national regulation connected to the expenditures' eligibility, in order to promote ownership.

The sinuous evolution of the regional policy was at the confluence between the powerful national interests and the needs of a greater organisation as the E.U. During the 60's-70's, the compromise was purely internal. The policy of the structural transfers was conditioned by the achieving of the specific advantages, like the harmonisation of the social legislation (asked by the French employers) or the creation of a single market (asked by the German business environment), for example.

The lessons of the past are a good indicator of the next possible evolutions. We can forecast that the regional policy will remain at the convergence between the integration and the national determiners. The latest enlargement is such an example. First, this enlargement reiterated the interest in the Structural Funds' reorganisation, because 51 regions (from all 53) from Central and Eastern Europe have a GDP/capita less than 75% of the European average and have to benefit from the regional support.

The Agenda 2000 and the CAP's reform from 2003 initiated changes which will ensure the role of the regional policy on the long term. The structural policies will be focused on the rural development using the production subventions and the concentration of the structural funds on the priority objectives.

The principles which govern the management of the structural funds were modified in 1999. These principles are presented in table 2.

The European Commission gives the fundamental directions of the regional policy for every programming period. Using these directions, the regions and the Member States elaborate regional development multiannual programs in order to obtain the financial assistance under the structural instruments (IMF, 2005).

The budget of the Structural Funds is focused on presetting specific objectives, as in figure 1.

The Objective 1 covers regions with 22% from the whole E.U.27 population and it will receive 70% of the Structural Funds budget.

The Objective 2 covers 12.3% of the whole E.U.27 population and will benefit from 11.5% of the Structural Funds budget. These financial allocations support the socio-economic reconversion of those areas with structural difficulties.

A particular importance is given to the labour, its training and its access on the labour market (Objective 3). This objective will benefit of 12.3% of the Structural Funds budget.

Other objectives and activities which affect the regional policy cover 5.19% of the same budget. These objectives cover: the trans-border, transnational and interregional cooperation (Interreg IV), the urban sustainable development against the decline of the urban areas (Urban II), the rural development under the local initiatives (Leader +) and the elimination of the labour market access discrimination (Equal). All these objectives are stipulated into the Community Initiatives (Eurostat, 2008).

There are two special allocations, as well. The first one covers the fishing structures adjustment in the regions which are not covered by the Objective 1 and will benefit from 0.5% from the Structural Funds budget. The second promotes the innovative and the technical assistance actions, in order to promote new development ideas. It will benefit from 0.51% of the Structural Funds budget.

The development initiatives which are financed by the Structural Funds have to respect the specific needs identified in the regions and in the Member States.

The regional development policy ensures the environment policy and the chances equity. The implementation is decentralised and the responsibility gets back to the regional and the national authorities.

3. The definition and the implementation of the common regional policy imply the active participation of a great number of European, national, regional and local institutions and organisations. We present them in figure 2.

The European Commission represents the essential actor which defines, monitor and implements the European regional policy. The European Commission has some General Directorates for Regional Policy, which must ensure the assistance for the implementation of regional policy into the Member States and administrate the financial resources from the ERDF, the Cohesion Fund and the ISPA instrument.

The European Parliament has a Committee for Regional policy, transport and tourism, which controls the implementation and the realisation of the regional policy. Moreover, the European Parliament cooperates with the European Investment Bank using its specific committee.

The European Council analyses and coordinates the economic policies of the Member States, including those policies which are focused on the regional development.

In 1991, was created the Committee of the Regions, which is a consultative organism on the regional development. It is made up of representatives of the regional and local authorities which reflect the politic, geographic, regional and local equilibrium from every Member State. The activities of this committee cover socio-economic cohesion, trans-European infrastructure networks, health, education and culture, employment, social and environmental problems, labour training and transports, as well.

The European Investment Bank finances the common regional policy and monitors the implementation of this policy in the Member States. The bank gives credits and guarantees with low interest to the Member States in order to finance their economies. The bank supports the common regional development policy, the objectives of the Structural Funds and of the Structural Instruments, as well.

4. It is interesting to notice which instruments of the macroeconomic policy can be used at regional level. The monetary policy, for example, is an attribute of the macroeconomic policy and it doesn’t have a significant variation of the interest rates at regional level. As a result, the region can be assimilated to a price-taker in its relationships with the financial capital supply.

The monetary market isn’t an active environment for the regional policy implementation. There are opinions that consider a good monetary policy as insignificant at regional level. They consider that the markets can self-regulate and that process doesn't need any political intervention.

The regional policies were initiated more as fiscal policies than monetary policies. The monetary market isn't a main objective for the regional policy, comparing to the goods or the input markets. We consider that the input markets represent the key of understanding the traditional regional policies.

The regional policies try to influent the limits of the spatial activities using the input markets and to encourage the socio-economic activities in those regions which have a real need for assistance. As a result, the regional policies present elements which influent both the demand and the supply. The need of inputs in these regions can be increased using the investments for new capital. In the same time, the quality of the labour supply grew as a result of the programs of training and retraining which were implemented.

On the other hand, some macroeconomic policies have a direct impact on the regional development. The fiscal policy, for example, has different regional effects which are connected to the structure of unemployment, infrastructure and health expenditures. Other macroeconomic policies affect indirectly the regional development using the planning. The supply control using the plan restrictions can have a negative impact at regional level connected to the location of economic activities.

The policies of employment affect the regional stock of knowledge and culture. As a result, the regional distribution of the university and post university education expenditures is very varied.

All these examples point out that the government macroeconomic policies together with the direct regional policies can have different effects at regional and interregional levels.

The regional policies are influenced by specific instruments. These instruments can be classified in different manners and they influent the firms and households location decisions or the change of the revenues and the expenditures in different areas.

These elements represent a symbiosis between the micro and the macroeconomic instruments, as in figure 3 (Armstrong H., Taylor J., 1993).

The instruments of the microeconomic policy influent the capital and the labour allocation between industries and regions. The instruments of the macroeconomic policy modify the regional revenues and expenditures.

It is possible to introduce a regional dimension inside the macroeconomic policies in order to create different changes of the output and labour. A decrease in the exchange rate, for example, will favour the regions which depend on the international trade. The imports control will favour the regions which produce substituent for those imported goods.

The coordination of the government policies represents other politic option which influences the regional policies. The effective implementation of a regional policy asks for a very good coordination procedure.

References

Armstrong H., Taylor J., *Regional Economics and Policy*, Harvester Wheatsheaf, 1993.

Fujita M, Krugman P., Venables A.J., *The Spatial Economy: Cities, Regions and International Trade,* MIT Press, Cambridge, Mass., 1999.

Eurostat, News *Release* nr.78/2008.

IMF, CIA World Factbook, *2007 Projections*, New York, 2005.

http://ec.europa.eu/comm/eurostat/ramon/nuts

www.fonduri-structurale.ro

www.eurofinantare.ro

www.fonduri-ue.ro

www.fedr.ro

Table no 1: The evolution of the European regional policy

Year	The instrument of the regional policy	The objectives achieved
1957	The adoption of the Rome Treaty	The decrease in the regional disparities and the support for the less developed regions from the six Member States: Belgium, France, Germany, Italy, Luxembourg and Netherlands.
1958	The implementation of the European Social Fund (ESF)	The optimisation of the common social policy, using the unemployment reconversion and the improvement of labour market mechanisms.
960	The effective implementation of the European Social Fund (ESF)	The achievement of the common social policy objectives in the Member States.
962	The creation of the European Fund for Orientation and Agriculture Guarantee, (FEOGA)	The finance of the Common Agricultural Policy (CAP), the development of the rural regions, the optimisation of the surfaces and of the vegetal and animal outputs
975	The creation of the European Regional Development Fund (ERDF)	The elimination of the regional disparities using the contributions of the Member States to the common budget. These contributions support the co-finance of the productive and infrastructure investments in order to ensure a sustainable development.
985	The implementation of the Mediterranean Integrate Program	The support for the development of the poorest regions from Greece and Italy. France benefited from the same fund as a compensation for its positive vote for the enlargements from 1981 and 1986. The regional problems increased after the Greece (1981), Spain and Portugal (1986) adhering to the E.U. Practically, there were two Member States categories: the developed Member States (the founder states, excepting Italy) and the Member States which had a development lower than the European average (the states which adhered in 1981 and 1986).
986	The adoption of the Single European Act	The achieving of the socio-economic cohesion by the decrease in the regional disparities in the latest Member States and by supporting their integration on the Single European Market.
988	The transformation of the existing Solidarity Funds into Structural	The elimination of the regional disparities across the E.U. by growing the financial support from the common budget and by the reorganisation of

	Funds and the growth of their weigh into the common budget (The European Council in Brussels)	the function of these funds.
989	The creation of the PHARE	The financial assistance for Poland and Hungary in order to support the socio-economic reforms in these countries and to put them into practice in the market economy.
993	The ratification of the E.U. Treaty The creation of the Cohesion Fund	The new European Treaty focused on three fundamental objectives: the Single Market, the Economic and Monetary Union (EMU) and the socio-economic cohesion under a sustainable regional development. The Cohesion Fund financed the infrastructure and environment projects in the less developed Member States (Greece, Spain, Portugal and Ireland).
994	The creation of the Financial Instrument for Fisheries Guidance (FIFG)	The development and the support for fishery and pisciculture in the Member States. The common fishery policy became necessary because almost all Member States wanted a revitalisation of this sector and a new repartition of the fishing quotes. Moreover, there was the certitude that Finland and Sweden would adhere in 1995 and these two states had important fishery sectors.
995	The implementation of the Committee of the Regions	It is a consultative organism which was initiated by the Maastricht Treaty, in order to give opinions and to support the European Commission in its actions connected to the regional development.
997	The ratification of the Amsterdam Treaty The implementation of the European Investment Fund (EIF) The reorganization of	This treaty confirms the importance of the socio-economic cohesion policy and of the decrease in the standard life disparities between the European regions. It accentuates the need for a corroborated action in order to decrease the unemployment and emphasises the obligation to use adequate policies in order to decrease the social and economic disequilibrium. EIF covers the environment and infrastructure development programs in the Member States which are financed by the European Investment Bank (EIB).

	the Cohesion Fund	The Cohesion Fund had, as its main objective, the financial support for the Member States in order to achieve the convergence criteria established at Maastricht.
999	The reform of the Structural Funds (the European Council from Berlin)	The reform was focused on the growth of the common assistance using these funds, on the simplification and decentralisation of their management. The new element of this reform was the completion of the PHARE programme with other two pre-adhering instruments – SPI (the Structural Pre-adhering Instrument) and SPARD (the Special Program for Agriculture and Rural Development), which promote the economic and social development of the candidate countries from Central and Eastern Europe.
000	The revision of the PHARE content	The extension of the PHARE application to all candidate countries.
002	The creation of a Solidarity Instrument for the Member States from Central Europe	This instrument has to become active under the major natural disasters which have powerful effects on the life conditions, the environment and the economy in the affected regions. It was created in order to attenuate the effects of the great flooding from Central Europe in 2002.
005	The adoption of the common development strategy (the European Council in Lisbon)	This strategy has, as main instrument, the cohesion policy and it operates on the efficiency and output growth using the knowledge, the innovation and the human capital development.

Table no 2: The principles of the Structural Funds

Principle	Content	Characteristics
1.concentration	It is the director principle of the reform, even if it is not explicit nowadays.	During 1994-1999, the operational principles were: partnership, programming and internal coherence (or the external coherence) and concentration. Under Agenda 2000, these principles became: programming, partnership, additionally and the monitoring, control and evaluation.
2. programming	It is connected to the multiannual	The programming has two steps: - the substantiation of the national

	development plan preparation, which is guided by the partnership between the Member States which was realised in successive steps.	development and conversion plans, based on national and regional priorities, which contain: the detailed description of the present situation in a specific region/country, the description of the adequate strategy for the achieving of the specific objectives and the specification of the Structural Funds' form and contribution. These plans have to be approved by the European Commission; - the presentation of the Framework Documents for Community Support by the Member States. Then, they are translated into the Operational Programs (OP) and the Unique Programming Documents (UPD).
3. partnership	The cooperation between the European Commission and the national, regional and local authorities in order to elaborate and to approve the development plans and their implementation and monitoring.	This principle points out the decentralisation degree which characterises the regional policy and its subsidiary applicability.
4. additionality	The complement of the community assistance using the national finance.	The European Funds don't replace the national funds in order to develop a specific sector. They must complete the national funds.
5. monitoring, evaluation and control	They represent the new element brought by the reform of the Structural Funds in 1999.	The Member States have administrative attributions and have to designate the national authority which has to correspond to every Structural Fund and the monitoring committees. The responsibility of the national authorities covers the implementation, the correct administration and the efficiency of every program: the collection of the statistic and financial information, the preparation and the

		transmission of the reports to the European Commission, the organisation of the intermediary evaluations. The monitoring committees are led by a representative of the national implementation authority and ensure the quality and the efficiency of the structural measures implementation.

.

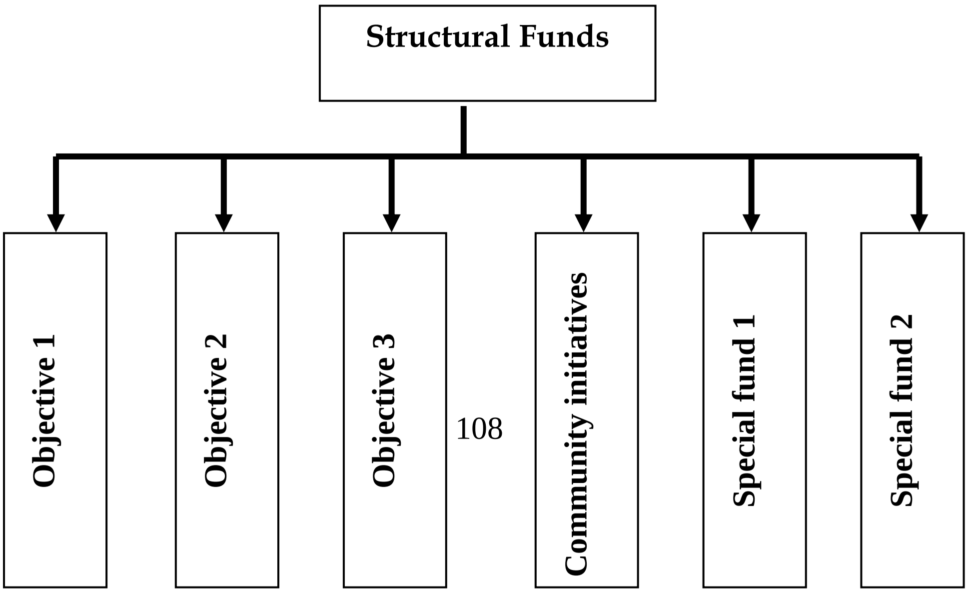

Figure no. 1: The destinations of the Structural Funds during 2007-2013

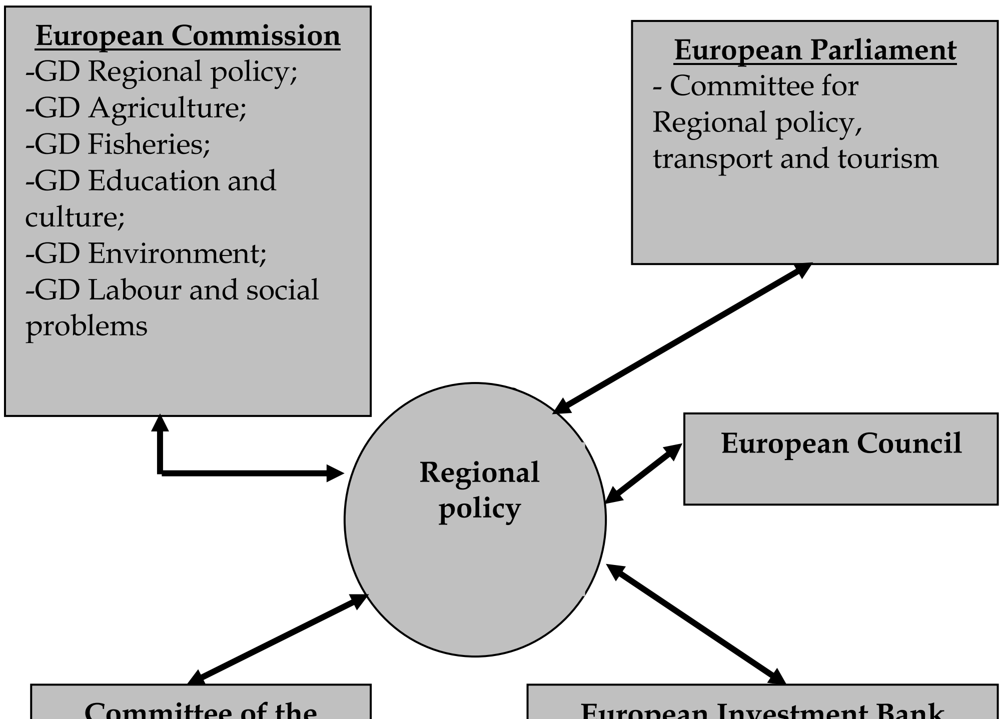

Figure no. 2: The actors of the European regional policy

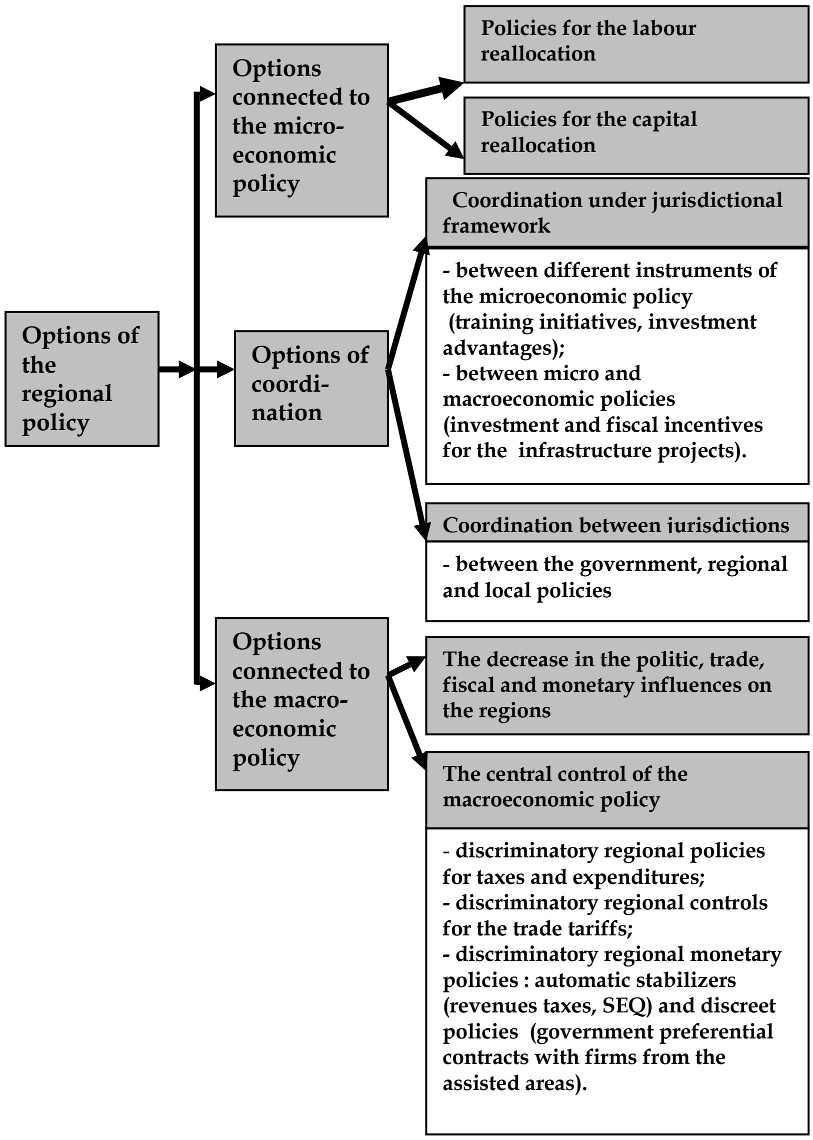

Figure no. 3: The options of the regional policy